P-2560 Miscel1aneous (Continued)

E. Calculating Self-Employment Income

Normally self-employment income and expenses from the most recent IRS tax return forms are counted for projecting self-employment income.

When you are using IRS tax forms please refer to PP&D facing page P-2122 B4 (countable self-employment income). When using the IRS tax forms, Countable self-employment income divided by 12 months equals monthly countable self-employment income.

You do income current not use the income from the most recent IRS tax return forms if is new or the income from the prior year is not representative of income.

In these instances, calculate the self-employment income using available data. These sources include Bookkeeping Records, Sales and Expenditures Records, Cash Flow Plan Prepared By Lender(s) or other records maintained by applicant/recipient that will enable you to calculate countable self-employment income.

Self-Employment Fact Sheets

Self-Employment Fact Sheets for calculating farm income, rental income and business income are in the forms manual. You may wish to complete the form and file with case action. Use of the Fact Sheets is optional.

Form DSW 204F Self-Employment Fact Sheet - Farm
Form DSW 204R Self-Employment Fact Sheet - Rental
Form DSW 204B Self-Employment Fact Sheet - Business

P-2560 Miscellaneous (Continued)

E. Calculating Self-Employment Income (Continued)

- Initial Business/Trade start up costs are usually higher during the beginning months of operation. Use several months of income/expense data source(s) when available, to calculate the income. (This is only wen you are not using income tax forms). If the kind of business you're reviewing has fairly stable monthly income/expenses, two months of business records may be adequate. If seasonal weather affects the business, four or five months' business record income/expenses should project a good income estimate.

- Information from the most recent tax return forms may be "adjusted" in order to Project current income.

  For example, the client reports that milk price support income from 1991 has decreased by 25%. 1991 farm expenses will approximate the 1990 farm expenses. Verify the milk support decrease; for example, call USDA Office for proof.

  1990 income from dairy products (IRS Schedule F Part 1, line 4 milk income only) = $50,000. 1990 farm expenses, not including depreciation = $25,500 (from Schedule F Part II line 35 minus line 16.)

  75% of 1990 income projected for 1991 (.75 x $50,000) $37,500
  100% of 1990 farm expenses (less depreciation) $25,500
  Countable income $12,000
  $12,000 ÷ 12 mos. = $1,000/mo. farm income projection for 1991

Refer to this list only when you are not using tax forms.

Allowable Self-Employment Food Stamp Expenses

1. Breeding Fees
2. Chemicals
3. Feed Purchases
4. Fertilizers and Lime
5. Freight and Trucking
6. Fuel and Oil
7. Trade/Business/Farm/Insurance
8. Insurance For Employees
9 Interest Expenses (mortgage-equipment, etc. less amount prorated for home)
10. Wages For Employees

11. Pension and Profit Sharing Plans - For Your Employee(s) Only
12. Rent/lease Expenses
13. Repairs and Maintenance Building and Equipment
14. Utility Cost Of Trade/Business/Farm/Operations
15. Supplies - Seed - Plants Purchased
16. Other Cost Of Trade/Business/Farm

P-2560 Miscellaneous (Continued)

E. Calculating Self-Employment Income (Continued)

Other expenses are not allowed:

Disallowed Self-Employment Food Stamp Expenses

1. Payments on the Principal of the Purchase Price of income producing real estate and other capital assets such as buildings, equipment, animals, etc.
2. Expenses and net losses from prior years.
3. Depreciation - Depletion and Section 179 expenses.
4. Penalties and tines.
5. Federal, State, and Local Income Taxes - money set aside for owners retirement.

Farm Losses Offset against Other Income: (273.11~iii)
If the costs of producing self-employment farm income exceeds the gross farm income, such losses are offset against other countable income. To qualify for this offset, the person must receive or anticipate receiving annual gross proceeds of $1,000 or more from the farming enterprise. Monthly net farm self-employment income is computed in the normal manner by taking gross income, subtracting allowable exclusions, and prorating the result over the period the income is intended to cover (usually 12 months). If there is a monthly net farm loss, the offset is made in two phases.

A. Step I The monthly farm loss is offset against the total amount of other net self-employment income computed for that month.
B. Step II If other net self-employment income is not enough to cover the farm loss, the reminder of the farm loss is offset against the total earned and unearned income for that month. If there is still a net loss, the household is certified based on zero net income. The monthly excess loss is not carried forward to subsequent months.

Self-employment losses offset self-employment gains
Non-farm sources of self-employment income are added together to determine countable self-employment income, i.e., a self-employment Business/Trade Loss may be used to offset business gains. For example:

Engine Repair Shop Countable Income $1,000/yr.
Avon Products Countable Income $ 800/yr.
Rental Apartment Countable income (loss) $ (600)/yr.
Food Stamp Total Countable Self-Employment $1,200/yr.
Annualized Income $1,200 ÷12 = $100/mo.